

CITY OF TORRANCE

DEFERRED COMPENSATION PLAN COMMITTEE

March 5, 2015 MEETING MINUTES

Members Present: Ms. Dana Cortez – City Treasurer
Mr. John Fellows – City Attorney
Ms. Leyta Fuentes – Operations/HR Manager
Ms. Mary Giordano – Assistant City Manager
Mr. Eric Tsao – Finance Director

Guests: Ms. Carol Say – Great-West Retirement Services

Committee Consultants: Mr. John Campbell and Mr. Evan Pickering - Benefit Funding Services Group (“BFSG”)

CALL TO ORDER

The fourth quarter meeting of the Deferred Compensation Committee (the “Committee”) was called to order at 10:30am.

ROLL CALL

The following members of the Committee were present for the entirety of the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao.

ACCEPTANCE AND FILING OF THE DECEMBER 11, 2014 MEETING MINUTES

The following Committee members were present and unanimously accepted and approved the December 11, 2014 meeting minutes as written: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao.

INVESTMENT MEETING

I. Investment Policy Statement

The Committee reviewed the Plan’s Investment Policy Statement (“IPS”) and BFSG’s proposed changes to keep the Policy up-to-date and relevant. After discussion the Committee provided feedback for BFSG to implement into an updated draft for review at the next Committee meeting.

II. Retirement Plan Quarterly Investment Review (4Q14)

Mr. Campbell provided an economic overview of the fourth quarter in order to provide context to the performance of the underlying funds in the Plan. GDP, inflation, unemployment, and interest rates were reviewed for the quarter. Market returns were reviewed represented by the S&P 500, MSCI ACWI Ex US, and Barclays US Aggregate Bond Indexes. The Committee reviewed the underlying investment options in the Plan and Mr. Campbell provided additional commentary on the following noteworthy funds:

PIMCO Total Return is currently on Watch due to underperformance, corporate uncertainty, and an abrupt change in management. The fund continued to underperform its benchmark for the quarter and on a one-year basis. Outflows from the fund continued for the quarter at more than \$62 billion. Due to the underperformance, corporate uncertainty, and continued investor withdrawals, the Committee voted to remove PIMCO Total Return from the Full-Time Plan and map assets into Metropolitan West Total Return Fund. The motion was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao.

The City will authorize Great-West to implement the removal of PIMCO Total Return from the Full-Time Plan and map current assets and future contributions into Metropolitan West Total Return Bond. The change shall be effective as soon as administratively possible.

In addition, the Committee reviewed the investment options in the 3121 Part-Time Plan. The Committee discussed the following funds in more detail:

PIMCO Total Return is currently on Watch due to underperformance, corporate uncertainty and an abrupt change in management. For the reasons discussed in the Full-Time Plan, the Committee voted to remove PIMCO Total Return from the Part-Time Plan and map current assets and future contributions into Metropolitan West Total Return Fund.

Great-West Federated Bond Fund has demonstrated relative underperformance relative to its peer group on a short- and intermediate-term basis. Due to the underperformance of the fund and in an effort to consolidate the intermediate bond fund offerings, the Committee voted to remove Great-West Federated Bond fund from the Part-Time Plan and map current assets and future contributions into Metropolitan West Total Return.

Lord Abbett Value Opportunities is currently on Watch due to underperforming its passive and active benchmark on a 3- and 5-year basis. Due to the underperformance, the Committee voted to remove Lord Abbett Value Opportunities from the Part-Time Plan and map current assets and future contributions into Great-West T. Rowe Price Mid Cap Growth.

The Committee motioned to remove PIMCO Total Return, Great-West Federated Bond Fund, and Lord Abbett Value Opportunities from the Part-Time Plan. The motion was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao.

**The City will authorize Great-West to implement the agreed upon fund changes.
The changes shall be effective as soon as administratively possible.**

ADMINISTRATIVE MEETING

I. Plan Expense Reimbursement Account (“PERA”) Policy Review

The Committee reviewed a redlined copy of the PERA Policy with proposed updates provided by BFSG. The Committee motioned to adopt the updated PERA Policy as written. The motion was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao.

II. 2014 Annual Report Review

BFSG distributed a draft copy of the 2014 Annual Report to the Committee for their review. The Committee will provide feedback to BFSG prior to finalizing the report for City Council.

III. Quarterly Review

Great-West provided a Plan review as of December 31, 2014. The review included: Plan distributions, asset allocation, and contributions. It was noted that most of the distribution amount taken during the quarter was attributed to a single QDRO.

CLOSING

A motion to adjourn the Deferred Compensation Committee meeting was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao. The meeting adjourned at 12:05 pm.

MOTION APPROVED, Deferred Compensation Plan Committee meeting adjourned.